



*Water Line
Construction on Posey Road.*

What are impact fees?

Impact fees are fees charged to builders and developers to pay the cost of extending water and wastewater lines to new development. They are assessed at the time a building permit is issued. The City uses these revenues to offset the cost of adding new capacity in the water and wastewater system required as a result of new growth.

Impact fees pay for such projects as new line extensions, new water storage facilities, new lift stations and additional treatment capacity at our water and wastewater plants. *Impact fees can only be used to build new capacity in the city's system and may not be used to fund existing maintenance needs.*

What is the City's authority to collect impact fees?

Before 1989, cities collected fees for this general purpose under a variety of names such as "capital recovery fees." In 1989, the Texas Legislature adopted an impact fee statute that set strict guidelines on the collection and expenditure of these funds.

Generally speaking, the fees may only be collected to pay for capital infrastructure projects needed to support new growth and funds must be expended within 10 years of their collection.

What is the amount of the impact fee today?

San Marcos currently charges a combined amount of \$890 for both water and wastewater per new service unit. A single family house equals one service unit. The current fee breaks down to \$363 for water and \$527 for

wastewater. Before the adoption of the current fee in 1990, the city charged a "capital recovery fee" of \$1,100 for water and \$900 for wastewater--a total of \$2,000. The City Council reduced the \$2,000 fee to \$890 when the current ordinance was adopted in 1990.

Do other area cities collect impact fees?

Yes. Most cities in the area and across Texas collect impact fees as a way to fund some of the capital improvements needed to support new growth. The combined water and wastewater fees of area cities are:

Round Rock	\$3,969
Cedar Park	\$3,400
Austin	\$3,000
Buda	\$2,947
Kyle	\$2,713
Lockhart	\$2,042
New Braunfels	\$1,860
Georgetown	\$1,425
San Antonio	\$1,308 to \$2,616
<i>(Charges vary by service zone)</i>	
Seguin	\$1,000
San Marcos	\$ 890

How were the new impact fees figured?

City staff and consultants analyzed areas of San Marcos where growth is expected to occur in the next ten years. The analysis included:

- ◆ Costs associated with providing needed water and wastewater infrastructure.
- ◆ The expected number of service units to be developed in the area.

- ♦ The cost was divided by the number of service units to determine the actual per unit cost.
- ♦ **This cost was determined to be \$9,400 per unit.**

Why are we in such a hurry?

State law amended in the last legislative session requires our methodology and calculations to be submitted for review by the Attorney General by September 30, 2002. We must have this completed by then or we could face having to refund some previous impact fees we have charged developers.

Over the past several months city staff and consultants have been preparing the land use assumptions, capital improvements costs and other background material necessary for the adoption process. The impact fee advisory committee met earlier this month to make a recommendation to you regarding the fee proposal.

Why is the maximum impact fee \$4,600?

State law creates two methods for calculating impact fees:

1. Charge the maximum fee of over \$9,200 and credit out the amount of future revenue bonds that will be retired by the new ratepayers in the new growth area, or
2. Apply a flat 50% amount to the maximum service unit cost.

The method we have chosen to use allows us to charge developers only half of the actual calculated costs.

Can we adopt lower fees?

Yes, the Council may set the fees anywhere from \$0 to \$4,600. It is a policy decision. The fixed cost of the new capital facilities must be financed. It can be placed predominately on existing ratepayers, predominantly on new growth, or something in between.

What are the pros and cons for higher impact fees?

Pros: Higher fees...

- ♦ Create funding for future development infrastructure that is paid at a higher rate by new development.
- ♦ Reduce pressure to raise water/wastewater bills of existing customers to fund new development.
- ♦ Create revenue that allows the city to be more proactive about putting infrastructure into new growth areas, which may, in turn, help to keep lot costs lower.

Cons: Higher fees...

- ♦ Increase the cost of housing and other developments
- ♦ may be a shock to development community
- ♦ Could discourage new development in community.
- ♦ Are inconsistent with goals to provide affordable housing

How will this affect affordable housing in San Marcos?

This fee will apply to new development platted after the adoption date of the new fee. Property platted since 1990 under the old fee will be charged the old fee as houses are developed on these lots.

The impact fees will increase the sales price of a new home by the difference between the current fee of \$890 and the amount that is finally adopted by Council. Council could create other affordable housing incentives including waiving impact fees if they desire. If the Council decides to allow certain targeted affordable housing projects, they can instruct staff to develop some specific criteria for affordable housing exemptions.



San Marcos Surface Water Treatment Plant